

# VOTE SMART ISRAEL | COST OF LIVING

## MARCH 2015

### Expenditures are higher than income in the average Israeli household

-  Average household expenditures were higher than income in each income quintile except for the top one— a great number of households are living with a continual deficit and must eat into their savings or ask their families for help.
-  Between 2005 and 2011, the cost of food in Israel rose significantly and most food groups became more expensive in Israel than in other OECD countries. **Dairy products in Israel were only 6% higher than the OECD average in 2005, while in 2011, they exceeded the OECD average by 51%.** Bread, cereals and baked goods in Israel were previously 19% less than the OECD average, but by 2011 were 26% more expensive.
-  Over the past decade, average monthly mortgage payments rose by 31% among non-Haredi Jews in Israel, and among Haredim (ultra-Orthodox Jews) by 72%.
-  **Total tax rates for small businesses in Israel are relatively high: 57.8% including VAT, compared to an average of 51.6% in the OECD.** Legal tax benefits to encourage investment are extremely biased towards large companies; the larger the company, the lower the tax rates.
-  Income from work among the middle class showed a relative decline. **From 1997 to 2011, there has been almost no change in salaries among the upper-middle class** (the 7th and 8th income deciles). At the same time, salaries have risen for workers at the top and bottom of the income distribution.
-  The share of income from capital has risen. At the start of the previous decade, income from work was two-thirds of the national income in Israel. **Since 2011, there has been a steady decline in the share of national income that comes from work, falling to 62% in 2011.** This means that a smaller portion of national income goes to workers as income from work and a greater portion goes to those of means who own capital, most of whom are in the top income decile.

#### Key questions for policymakers:

-  How can the middle class be strengthened?
-  What needs to be done to stop the rise in food prices?
-  What steps can be taken to assist small businesses?

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For much more on this topic, see the following chapters in the Taub Center's annual publication *State of the Nation Report 2014*:

- ✓ **Making Ends Meets – Household Income, Expenditures and Savings in Israel** (Eitan Regev)
- ✓ **The Shadow Economy in Israel** (Noam Gruber)
- ✓ **Labor Income Inequality Trends in Israel** (Ayal Kimhi and Kyriell Shraberman)
- ✓ **Patterns of Expenditure on Food in Israel** (Dov Chernichovsky and Eitan Regev)

The Taub Center is an independent, nonpartisan, socioeconomic research institute based in Jerusalem. The Center conducts quality, impartial research on socioeconomic conditions in Israel, and develops innovative, equitable and practical options for macro public policies that advance the well-being of Israelis. The Center strives to influence public policy through direct communications with policy makers and by enriching the public debate that accompanies the decision making process.

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